SASKATCHEWAN GRAIN CAR CORPORATION

ANNUAL REPORT

For the Year Ended
July 31, 1986

87-05919/

Saskatchewan Grain Car Corporation

February 16, 1987
Regina, Saskatchewan

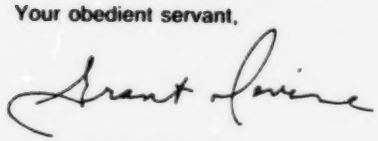
To His Honour
the Honourable Frederick Johnson
Lieutenant-Governor of the Province of Saskatchewan

Sir:

I have the honour to submit herewith the annual report of the Saskatchewan Grain Car Corporation for the year ending July 31, 1986, including the financial statements therefore, duly certified by the Provincial Auditor and in the form approved by the Treasury Board, all in accordance with The Saskatchewan Grain Car Corporation Act, 1981.

I have the honour to be Sir,

Your obedient servant,



Grant Devine, Premier,
Minister of Agriculture
and Minister in Charge
of the Saskatchewan Grain
Car Corporation

Saskatchewan Grain Car Corporation

DIRECTORS

Honourable Grant Devine, Regina

Stuart Kramer, Regina

Gordon Keats, Melville

MANAGEMENT

Stuart Kramer, Regina
Acting General Manager

Donald Shawaga, Melville
Fleet Superintendent

Sandra Konechny, Melville
Secretary

Saskatchewan Grain Car Corporation

Annual Report 1986

The Saskatchewan Grain Car Corporation's hopper car fleet continued to be used in the Canadian Wheat Board's Western Division during the 1985-86 crop year. Saskatchewan Grain Car Corporation had 475 hopper cars on CN lines and 523 on CP lines devoted to grain service. The percentage of cars on the CN and CP was based on the total bushels handled by each carrier in the 5 year period October, 1974 to September, 1979. Every two years this formula may be re-applied to the most recent 5 years to determine a possible re-allocation of cars. No request for re-allocation was received during the 1985-86 crop year.

The Corporation's office is located in Melville, Saskatchewan. The office is operated by two staff members.

The Corporation extended the Operating Agreement, originally signed with the CN, CP and Canadian Wheat Board in February, 1981, for another year, to February, 1987.

During 1985-86 the Corporation's computerized car monitoring system continued to follow the day-to-day movements of the fleet highlighting inactive cars, misloads, or activities contrary to the Corporation's contractual arrangements with the railroads and the Canadian Wheat Board. A bi-monthly summary of statistical reports is obtained to help ensure the fleet is used to capacity.

The following charts compare operations of Saskatchewan Grain Car Corporation's fleet in the 1985-86 and the 1984-85 crop years.

Major Grains Transported in Western Division	**1985-86** (Tonnes)	**1984-85** (Tonnes)
Wheat	800,330	810,010
Oats	4,840	6,040
Barley	202,310	154,810
Rye	10,490	17,810
Flax	26,590	21,370
Rapeseed	79,930	81,580
	1,124,490	1,091,620

The Corporation's hopper cars moved 1.12 million tonnes of major grains in 1985-86 compared to 1.09 million tonnes in 1984-85 within the Western Division. This represents a 3% increase for SGCC movements from 1984-85.

Canadian grain exports during the 1985-86 crop year were 23.8 million tonnes compared to 22.8 million tonnes in 1984-85.

In addition to the 6 major grains, approximately 46,000 tonnes of other crops were moved within the Western Division, 2,800 tonnes of barley moved from Thunder Bay to Vancouver and 31,000 tonnes of major grains travelled out of the Western Division to meet export opportunities, making a grand total of 1,204,290 tonnes handled by Saskatchewan Grain Car Corporation hopper cars in the 1985-86 crop year.

Saskatchewan Grain Car Corporation

Origin of Movements	1985-86 (%)	1984-85 (%)
Saskatchewan	49.0	51.8
Alberta	28.0	32.3
Manitoba	22.5	15.3
B.C.	.5	.6
	100.0	100.00

Destinations within Western Division	1985-86 (Trips	1984-85 (Trips)
Thunder Bay	6,265	6,565
Vancouver	6,696	6,513
Prince Rupert	883	705
Inland Mills, Feed Plants, etc.	831	347
	14,675	14,130

No cars moved to the Port of Churchill due to the inability of this line to handle hopper cars.

Round Trip Car Cycles
(Average elapsed time for cars to load, unload and reload)

To Port:	1985-86 (Days)	1984-85 (Days)
Thunder Bay	21.6	21.7
Vancouver	26.8	29.4
Prince Rupert	28.9	33.0
Average — All Ports	24.7	26.0

The Corporation's average round trip car cycle decreased to 24.7 days in 1985-86 from 26.0 days in the previous year.

Delay in Car Movements	1985-86 (Number of cars- % of Fleet)	1984-85 (Number of cars- % of Fleet)
CN	42 - 8.8	40 - 8.4
CP	82 - 15.7	108 - 20.6
Both	124 - 12.4	148 - 14.8

This chart on delayed cars is based on a definition of a delayed car as one which has not had a change in status for more than 10 days. These delays were calculated bi-weekly and were averaged to give an annual figure. The percentage figure was based on the number of cars on each line, that is, 523 on CP and 475 on CN.

Damaged Cars

Railway	1985-86	1984-85	Total Since Built
CN	1	12	41
CP	2	2	30
Both	3	14	71

Damage to cars is caused by derailments, side-swipes, loading and unloading accidents, etc. No cars were declared damaged beyond economical repair during 1985-86. All cars damaged during the year were repaired and are now in service.

Alternate Use of Cars

The Corporation's hopper cars were utilized in three additional movements, as follows:

1) Due to the Welland Canal closure October 14th to November 7th, 1985, the Corporation's cars contributed 60 carloads to a 1480 carload (134,000 tonne) movement from Thunder Bay to Eastern Terminals to avoid congestion in Thunder Bay and maintain a steady flow of export grains.

2) To assist the Canadian Wheat Board from January to March, 1986, in meeting their export commitments the Corporation's cars moved 296 carloads out of a 5,000 carload (436,000 tonne) movement from Thunder Bay to Eastern Terminals. The overall savings to producers in transportation charges by using Government hoppers in lieu of leased or railroad owned cars was approximately $900,000.

3) The West Coast suffered from a series of delays which although minor, in combination kept a number of vessels waiting from mid-October into February. One major problem was February's tragic passenger/freight collision at Hinton, Alberta. Combined with a smaller derailment at Langley, slow deliveries, and cold weather across the Prairies and through the mountains, the Canadian Wheat Board hauled barley from Thunder Bay to the West Coast. The Corporation's cars assisted by handling 34 carloads out of a 600 carload (49,000 tonne) movement from Thunder Bay to Vancouver in February of 1986.

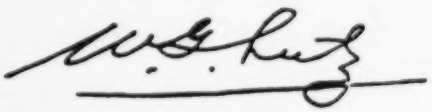
Saskatchewan Grain Car Corporation

Auditor's Report 1986

To the Members of the Legislative Assembly
Province of Saskatchewan

I have examined the statement of financial position of the Saskatchewan Grain Car Corporation as at July 31, 1986, and the statement of revenue and expenditure and surplus for the year then ended. My examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as I considered necessary in the circumstances.

In my opinion, these financial statements present fairly the financial position of the Corporation as at July 31, 1986, and the results of its operations for the year then ended in accordance with the disclosed basis of accounting applied on a basis consistent with that of the preceding year.



Regina, Saskatchewan
September 30, 1986.

W. G. Lutz, F.C.A.,
Provincial Auditor.

Saskatchewan Grain Car Corporation

Statement 1 — Statement of Financial Position

July 31, 1986

	OPERATING FUND		CAPITAL FUND		RESERVE FUND	
	1986	1985	1986	1985	1986	1985
ASSETS						
Current Assets						
Cash	$ 126	$ 256	$ —	$ —	$ —	$ 2
Short-term investments, at cost	27,500	33,500	—	—	113,554	104,884
Accounts receivable						
— accrued interest on short-term investment	40	65	—	—	1,470	335
— miscellaneous	972	188	—	—	—	—
Prepaid expenses	1,184	1,184	—	—	—	—
	29,822	35,193	—	—	115,024	105,221
Fixed assets (Note 1(b) & (e))	—	—	54,214,423	54,214,423	—	—
Less accumulated depreciation (Note 1(e))	—	—	3,666,660	3,666,660	—	—
	—	—	50,547,763	50,547,763	—	—
	$29,822	$35,193	$50,547,763	$50,547,763	$115,024	$105,221
LIABILITIES AND EQUITY						
Current Liabilities						
Accounts payable	$ 451	$ 471	$ —	$ —	$ —	$ —
Long-term loan from the Heritage Fund (Note 3)	—	—	46,349,629	46,349,629	—	—
Surplus — Statement 2	29,371	34,722	4,198,134	4,198,134	115,024	105,221
	$29,822	$35,193	$50,547,763	$50,547,763	$115,024	$105,221

(See accompanying notes to the financial statements)

Saskatchewan Grain Car Corporation

Statement 2 — Statement of Revenue and Expenditure and Surplus

For the Year Ended July 31, 1986

	Operating Fund (Note 1)	Capital Fund (Note 1)	Reserve Fund (Note 1)	Total 1986	Total 1985
Revenue					
Grant — Consolidated Fund — Department of Agriculture	$ 88,696	$ —	$ —	$ 88,696	$ 93,200
Compensation for damaged cars	—	—	—	—	99,397
Interest on short-term investments	2,990	—	9,804	12,794	234,252
Miscellaneous Revenue	2,952	—	—	2,952	—
	94,638	—	9,804	104,442	426,849
Expenditures					
Salaries	72,686	—	—	72,686	70,542
Board of Director expenses	—	—	—	—	481
Administration expenses	27,303	—	—	27,303	28,443
	99,989	—	—	99,989	99,466
Excess of revenue over expenditure (expenditure over revenue)	(5,351)	—	9,804	4,453	327,383
Surplus, beginning of year	34,722	4,198,134	105,221	4,338,077	4,010,694
Surplus, end of year	$29,371	$4,198,134	$115,025	$4,342,530	$4,338,077

(See accompanying notes to the financial statements)

Saskatchewan Grain Car Corporation

Statement 3 — Statement of Cash Flows

For the Year Ended July 31, 1986

	1986	1985
Cash provided by operating activities:		
Earnings before extraordinary items	$ 4,453	$ 327,383
Add: Charges not requiring current cash payment	—	—
	4,453	327,383
Net change in non-cash working capital balances related to operations	(1,915)	458
Cash provided by operations	2,538	327,841
Cash provided by (used in) investment activities		
Decrease (Increase) in S.T. Investments	(2,670)	4,653,123
Cash provided by (used in) investment activities	(2,670)	4,653,123
Cash provided by (used in) financing activities		
Decrease in long-term debt	—	(4,983,711)
Cash used in financing activities	—	(4,983,711)
Net increase (decrease) in cash during year	(132)	(2,747)
Cash position at beginning of year	258	3,005
Cash position at end of year	$ 126	$ 258

(See accompanying notes to the financial statements)

Notes to Financial Statements

July 31, 1986

1. Significant Accounting Policies

These financial statements have been prepared in accordance with accounting policies that are considered appropriate for organizations of this type. The significant accounting policies are as follows:

a) The accounts of the Corporation are maintained in three segments:

i) Capital Fund

1. The fixed assets (grain cars) of the Corporation are maintained in a Capital Fund, along with the related liability to the Heritage Fund.

2. Since no significant revenue is attributable to the grain cars, the recording of depreciation in the accounts has been discontinued.

ii) Reserve Fund

All cash receipts from the railways by way of compensation for irreparable damage to grain cars will be retained in the Fund and will be used solely for the purchase of replacement cars. All interest earned from these cash balances will be retained in this Fund. To date, two cars have been irreparably damaged and have not yet been replaced.

iii) Operating Fund

The operating costs and revenue for the Corporation are recorded in the Operating Fund.

b) Purchase of grain cars:

The purchase of the grain cars is grouped as a 'pool'. Purchase costs of cars, together with transportation and inspection expenses are capitalized. The cost of the pool will not be adjusted for irreparably damaged cars nor for replacements purchased from the Reserve Fund.

c) Purchase of other fixed assets:

Purchases of office equipment will be expensed in the year of acquisition to the Operating Fund.

d) Operating revenue:

According to the terms of the Operating Agreement between Saskatchewan Grain Car Corporation, Canadian National Railway Company, Canadian Pacific Limited and The Canadian Wheat Board, the railways have the right to manage and operate the cars. Revenue earned by the cars in the movement of wheat, oats, barley, rye, flaxseed and rapeseed in the Western Division shall accrue to the railways for their own account.

e) Depreciation of Grain Cars:

The policy of recording depreciation was discontinued in 1984. This change in accounting policy was necessitated by the change in the terms of the repayment of the long term debt described in note 3, which eliminated the payment of the grant to the Corporation by the Department of Agriculture. Previously depreciation was offset against this grant.

2. Status of the Corporation

The Saskatchewan Grain Car Corporation was established by Order-in-Council 1787/79 on October 2, 1979, and continues under the provisions of The Saskatchewan Grain Car Corporation Act.

3. Long-Term Debt

Up to and including March 31, 1983, net operating expenses and debt charges on the long-term loan have been covered annually by an equal grant from the Department of Agriculture from funds appropriated by the Legislature. Effective March 31, 1983, debt charges and principal repayment terms were significantly changed.

By Order-in-Council 1164/83 dated August 3, 1983, the terms and conditions relating to the loan from the Heritage Fund were amended as follows:

a) The principal amount outstanding of the loan shall be repaid by the 31st day of March, 2011. The Corporation shall have the right to repay from time to time any part of the principal amount outstanding prior to March 31, 2011.

b) The loan shall not bear any interest from and after March 31, 1983.

4. Related Party Transactions

a) Included in these financial statements are income and expense amounts resulting from routine operating transactions conducted at prevailing market prices with various Saskatchewan Crown controlled departments, agencies and corporations with which the Corporation is related.

Account balances resulting from these transactions are included in the Statement of Financial Position and are settled on normal trade terms.

Other amounts due to (from) related parties and the terms of settlement are described separately in the financial statements and the notes thereto.

b) The Corporations' Melville office is located in a government building and accordingly, no rent is paid for the use of this space. Neither the value of these benefits received nor the cost of this space are reflected in these financial statements.

Saskatchewan Grain Car Corporation

Schedule 1 — Schedule of Investments

As at July 31, 1986

	Description	Rate	Maturity Date		Amount
Operating Fund					
	Melville Credit Union Term Deposit	6.75%	August 14, 1986	$	11,700
	Melville Credit Union Term Deposit	6.25%	August 28, 1986		15,800
				$	27,500
Reserve Fund					
	Melville Credit Union Term Deposit	7.5%	August 1, 1986	$	113,554